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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

DCI Draft Article on Ethics

FROM:

William M. Baker
Director, Public Affairs

EXTENSION

NO.

PAO 89-0135

DATE

19 April 1989

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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P-308-IR

PAO 89-0135

19 April 1989

JUDGE:

STAT After meeting with you on 7 April to discuss a message on ethics to be published in Management Accounting magazine, the speechwriters drafted the attached article. This draft is based on the outline you approved and the comments you made at that meeting. The passage on the Agency's financial activities (page 3) was coordinated with [] the Deputy Inspector General for Audit.

Management Accounting needs the article by mid-May, and we will pass it to the magazine as soon as we receive your comments.

STAT The outline and background information on the ethics article are attached opposite.



Bill Baker

Attachments:
As stated

STAT PAO/WMB, []

Distribution:

STAT Orig. - DCI
1 - []
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ARTICLE ON ETHICS FOR MANAGEMENT ACCOUNTING

In the past decade and a half, the American people have had to absorb some real confidence blows: Watergate, Abscam, Iran-Contra, Wedtech, the Wall Street capers. These events, and others, produce a sense of betrayal -- the word Robert Frost said was the saddest word in the English language.

I have spent half of the last 40 years in public service and the other half in the private sector. During that time, I have noted some common principles. The most important one is that truthfulness builds trust -- both in government and in business. This principle has been apparent to me in the legal profession, at the Federal Bureau of Investigation, and at the Central Intelligence Agency. Building trust through truthfulness is the same obligation that management accountants have both to themselves and to the organizations they serve.

As a lawyer and a federal judge, I have seen attorneys lose their case and their credibility by dissembling in court. An attorney who loses the trust of the court damages himself, his client, and his profession. Lawyers, like management accountants, are bound by rules of ethical conduct, and adherence to these rules is vital in fulfilling professional responsibilities and retaining the respect and confidence of the public.

I was appointed Director of the FBI in 1978 -- a time when trust in the Bureau was on the wane. In an effort to rebuild that trust, I made a practice of saying to each new class of Special Agents with whom I met: "If you forget

everything else I tell you, remember this: Each of you carries the reputation of the rest of us around in your pocket." That reputation is precious for those in law enforcement, whose ability to collect information depends on the cooperation of citizens.

Every organization needs a clear sense of mission and purpose, as well as clear guidelines on how to best carry out that mission. At the CIA, much of what we do must be done in secret, so the integrity of our organization can only be maintained by insisting upon compliance with laws and rules to ensure our citizens that we are indeed accountable. There are special safeguards and rules at the CIA to ensure truthfulness, candor, and the highest standards of ethical conduct. These rules apply to all our activities, from operations to the preparation of national intelligence estimates to our system of financial accounting.

When considering proposed covert activities, a review group at the CIA asks questions like: "Is the activity consistent with U.S. foreign policy?" "Is it consistent with American values?" "If exposed, would it make sense to the American people?" "Will it work?" Not all covert activities will succeed, but when they are subjected to this kind of scrutiny, we have the best chance of using our covert capability wisely and effectively.

The CIA's relationship with Congress is crucial, and I have made it absolutely clear that in dealing with Congress there is no excuse for deception. CIA officers who feel uncertain about answering a particular question when briefing Congress have been instructed to refer the question back to CIA Headquarters. I am prepared to take the heat or to work out

arrangements with Congress. But we will not give half-answers or around-the-corner answers and leave Congress with the feeling that we have been disingenuous with them.

The intelligence information that the CIA provides to policymakers must be useful and timely, but it must also be objective. The Director of Central Intelligence and the people who analyze the information must not be seen as "cooking the books" or attempting to influence foreign policy decisions. Because the quality and objectivity of the intelligence we provide is so important, I have taken a number of steps to ensure that we will "tell it like it is," avoiding bias as much as we can. Policymakers can ignore, tear up, or throw away our intelligence estimates, but they cannot change them.

Financial activities at the CIA are carefully reviewed because the nature of our work requires some officers to carry and disburse very significant sums of money. Our Inspector General's Office conducts more than 80 financial audits a year to ensure compliance with financial rules and regulations. We are very proud of the fact that in this Agency's 40-year history, there has never been a procurement scandal or a significant misappropriation of funds.

Discussing ethics is important, and courses offered by the CIA to employees provide an opportunity to explore and address ethical questions. These courses seek to make each employee aware that even the appearance of unethical behavior undermines the public trust which is the cornerstone of the CIA's authority and mission to conduct activities beyond public view and knowledge.

I have frequently made the point that at the CIA, we have to take risks, but the risks have to be associated with ethical principles -- principles with which the general public is comfortable. The risks must not put us afoul of the Constitution, our laws, or our own internal regulations.

Perhaps the best way of elaborating on the ethical standards at CIA is by describing the kind of people we look for to fill our ranks -- people who are dedicated and responsive to law and discipline. People who understand and play by the rules.

I have been fortunate to work with many such people in my lifetime, people in and out of government who have the highest ethical standards. These are the people who have made the greatest contribution to their organizations and who have earned the admiration and respect of their colleagues.

POINTS - ETHICS ARTICLE IN MANAGEMENT ACCOUNTING

- In the past decade and a half, the American people have had to absorb some real confidence blows: Watergate, Iran-Contra, Wedtech, the Wall Street capers. These incidents, and others, produce a sense of betrayal -- the word Robert Frost said was the saddest word in the English language.
- I've spent half of the last 40 years in public service and half in the private sector, and I have noted some common principles. The most important one is that truthfulness builds trust -- both in government and in business.
- I have observed this in the law, at the FBI, and at the CIA.
 - Law: On the federal bench, I have seen lawyers lose the trust of the court.
 - FBI: When I spoke to each new class of Special Agents, I emphasized that: "Each of you carries the reputation of the rest of us around in your pocket."
 - CIA: Promoting public trust in the Central Intelligence Agency -- and the Intelligence Community as a whole -- is especially important because much of what we do must be done in secret.
- Every organization needs a clear sense of mission and purpose, as well as clear guidelines on how to best carry out that mission.
 - There are special safeguards and guidelines at CIA to ensure truthfulness, candor and ethical behavior.
 - 1) Review of covert activities -- "Is it consistent with U.S. foreign policy?" "Is it consistent with American values?"
 - 2) Relationship with Congress - There is no excuse for deception.
 - 3) Objectivity of intelligence assessments - Our intelligence is not tailored to suit a particular policy. Policymakers can ignore, tear up, or throw away our intelligence estimates, but they cannot change them.
 - 4) Compliance with financial rules and regulations - This touches on every aspect of the Central Intelligence Agency's work. There is tight financial scrutiny at CIA because the nature of the work requires some individuals to carry and disburse very significant sums of money.
 - Our Inspector General's Office conducts more than 80 financial audits a year.
 - In this Agency's 40-year history, there has never been a procurement scandal or a significant misappropriation of funds.

5) Ethics Training - Discussing ethics is important, especially in terms of defining the goals, beliefs, and mission of an organization. Training courses offered by the CIA to employees provide an opportunity to explore and address ethical questions.

- I have frequently made the point that at the CIA, we have to take risks, but the risks have to be associated with ethical principles -- principles with which the general public is comfortable. The risks must not put us afoul of the Constitution, our laws, or our own internal regulations.
- Perhaps the best way of elaborating on the ethical standards at CIA is by describing the kind of people we look for to fill our ranks -- people who are dedicated and responsive to law and discipline. People who understand and play by the rules.
- I have been fortunate to work with many of these people in my lifetime, people in and out of government who have the highest ethical standards. These are the people who have really earned the admiration and respect of their colleagues.



CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

William M. Baker
Director, Public Affairs
(703) 482-7676

Howard L. Siers



Dear Mr. Siers:

Thanks for your recent letter inviting Judge Webster to submit a message on ethics for publication in Management Accounting. The Judge is impressed with the program the National Association of Accountants has initiated to improve ethics awareness, and he would like to submit an article on ethics to you in mid-May. As requested, a biography and photograph of the Judge will also be included.

Sincerely,

A handwritten signature, appearing to be "W. Baker", written in ink.

William M. Baker

PAO 89-0049

17 February 1989

JUDGE:

RE: Message on ethics in
Management Accounting

Howard L. Siers, chairman of the Ad Hoc Ethics Committee of the National Association of Accountants (NAA), has asked that you contribute a message on ethics for publication in Management Accounting, a monthly magazine with a circulation of about 100,000. Guest columnists provide ethics messages for the magazine each month, and the article can address any aspect of ethics that you believe would be of interest to the NAA.

We checked with Danny Childs, Director of the Office of Financial Management, who assured us that Management Accounting is a respected publication and would be an excellent forum for your discussion of ethics. More than two-thirds of the magazine's readers are chief financial officers and other corporate personnel, while the remainder are public accountants, academicians, and students.

Considering the emphasis President Bush is placing on ethics in this Administration and the readership of this publication, I recommend that you submit a guest column in mid-May. If you agree, I will send the attached letter to Siers and the speechwriters will prepare a draft message.

I have also attached opposite the letter from Siers and the December, 1988 issue of Management Accounting with the ethics column clipped.

STAT



BILL Baker

☒ Agree

☐ Disagree

Executive Registry

89-0462

NATIONAL ASSOCIATION OF ACCOUNTANTS

10 Paragon Drive • Montvale, New Jersey 07645-1760

(201) 573-9000 • Telex 9102509487

January 31, 1989

The Honorable William H. Webster
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Webster:

I am writing to you in connection with a project that I am handling for the National Association of Accountants (NAA), a membership organization of 90,000 management accountants in the United States. I am Chairman of the NAA Ad Hoc Ethics Committee. As Chairman of the ethics committee, I serve as editor of an ethics column published monthly in Management Accounting, the NAA's magazine with a circulation of 100,000. This is part of a comprehensive program that we have initiated to improve ethics awareness on the part of our NAA membership.

Our policy is to obtain guest columnists each month to provide ethics messages in the column. We are convinced that ethics messages from men of major public stature, such as yourself, will provide greater prestige and added importance to the NAA's effort.

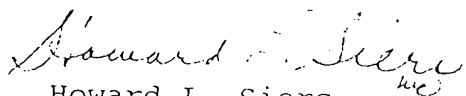
Many NAA members in the Missouri-Kansas area, and throughout the U.S., have urged me to contact you with a request that you provide an ethics message for use in Management Accounting. The article could be an expression of your personal or professional views about any aspect of ethics that you believe would be of interest to our membership.

To provide additional background, I am enclosing a copy of a write-up describing the program for our magazine article, a copy of the NAA Standards of Ethical Conduct for Management Accountants, and the December 1988 issue of Management Accounting in which we introduced the column (page 18).

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I would appreciate receiving from you an indication of your willingness to provide such an article, and some indication as to when we could expect the article.

Sincerely,



Howard L. Siers
Chairman
Ad Hoc Ethics Committee

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Ethics.HS

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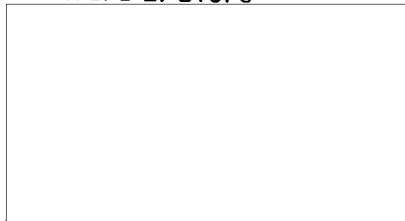
ETHICS COLUMN
MANAGEMENT ACCOUNTING
NATIONAL ASSOCIATION OF ACCOUNTANTS

We have initiated an ethics column to be printed each month in our monthly magazine, Management Accounting, which has a circulation of approximately 100,000. This is an important part of the NAA effort to promote greater ethics awareness in all phases of business activity. We plan to use "guest columnists" each month who are recognized leaders in our profession. We expect to use representatives from business, academia and government.

Each article should be approximately 1,000 words in length and should represent the authors views or thoughts about ethics in our profession. The author should also provide a short biography and a recent black and white photograph for inclusion with the article when it is printed.

The article, biography and photo should be sent to me at the address indicated below:

Howard L. Siers



H. L. Siers

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The Standards of Ethical Conduct for Management Accountants

Management accountants have an obligation to the organizations they serve, their profession, the public, and themselves to maintain the highest standards of ethical conduct. In recognition of this obligation, the National Association of Accountants has promulgated the following standards of ethical conduct for management accountants. Adherence to these standards is integral to achieving the objectives of management accounting. Management accountants shall not commit acts contrary to these standards nor shall they condone the commission of such acts by others within their organizations.

Compliance

Management accountants have a responsibility to:

- O Maintain an appropriate level of professional competence by ongoing development of their knowledge and skills.
- O Perform their professional duties in accordance with relevant laws, regulations, and technical standards.
- O Prepare complete and clear reports and recommendations after appropriate analyses of relevant and reliable information.

Confidentiality

Management accountants have a responsibility to :

- O Refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so.
- O Inform subordinates as appropriate regarding the confidentiality of information acquired in the course of their work and monitor their activities to assure the maintenance of that confidentiality.
- O Refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties.

Integrity

Management accountants have a responsibility to :

- O Avoid actual or apparent conflicts of interest and advise all appropriate parties of any potential conflict.
- O Refrain from engaging in any activity that would prejudice their ability to carry out their duties ethically.

-2-

Integrity (Cont'd)

- O Refrain from either actively or passively subverting the attainment of the organization's legitimate and ethical objectives.
- O Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
- O Communicate unfavorable as well as favorable information and professional judgments or opinions.
- O Refrain from engaging in or supporting any activity that would discredit the profession.

Objectivity

Management accountants have a responsibility to:

- O Communicate information fairly and objectively.
- O Disclose full all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.

FOR CORPORATE ACCOUNTANTS AND FINANCIAL EXECUTIVES

DECEMBER 1988/\$6.00

MANAGEMENT ACCOUNTING

**A NOVEL APPROACH
TO ACCOUNTING
COST ACCOUNTING FOR
FACTORY AUTOMATION
HOW THE AMT
SKEWS CORPORATE
DECISIONS**



**The
Ultimate
Rip-off:**
A Taxing Tale

ETHICS

HOWARD L. SIERS, EDITOR

A MATTER OF ETHICS

Ethics in business has been a high priority objective of the National Association of Accountants since its inception. However, like any philosophy or discipline, maintenance of ethical values is a challenge to all of us when we live in a world of constantly changing mores and values. Your Association recognized the need to provide greater assistance and guidance to the management accounting profession in the late 1970s and initiated a program that is continuing today. This column is the initial effort in a series intended to increase the ethics awareness of our members.

In coming months, we will present articles expressing the ethical viewpoint of responsible representatives in various segments of our society including industry, government, and academe. We also would like to see this column develop as an avenue for use by members in sharing ethical dilemmas and practical resolutions of such dilemmas with other members.

There are no new truths about *ethics*—no cookbook solution that will guide us to acceptable ethical behavior. Our purpose is not to provide specific answers but to stimulate your thinking about ethics and to elevate your *ethics* consciousness level. Future columns will deal with the general area of ethical behavior applied to our profession and will examine the many constraints that each of us deals with daily.

GUIDELINES FOR RESOLVING ETHICAL DILEMMAS

The NAA published the *Standards of Ethical Conduct for Management*



Howard L. Siers

Accountants in June 1983. We've used the time since the first publication of the Standards as a learning experience. It is clear that primary emphasis should be focused on efforts to avoid creation of an ethical dilemma. We've also learned some principles that are generally applicable and would like to share them with you.

As a management accountant, it is important that you conduct yourself in an ethical manner. Be selective in determining when it is necessary to take issue with a practice. Make sure that it is truly important and not just a personal concern. Make a concerted effort to establish and administer consistent practices in everything you do. Don't give others an opportunity to maneuver you into an untenable position. Most important, avoid establishing *harmful* precedents. Within your company, lobby for establishment of ethics awareness and educational programs. If your company does not have a written

*Ethics awareness
is the key to ethical
practice for
management
accountants.*

code of conduct, or the existing one is inadequate, do everything that you can to ensure such a code is established, monitored, and enforced. Most major companies now have such codes of conduct and many will share them with you. (Members interested in obtaining copies of such corporate codes of conduct may call or write to our national office professional services division for assistance in contacting companies or organizations willing to supply such information.)

The Ad Hoc Ethics Committee is exploring ways to improve our ethics programs, and it has several proposals that we are reviewing with the NAA leadership. We are convinced that the NAA has both an opportunity and a responsibility to our membership and the profession to continue to provide an aggressive leadership role in this vital area of business and education. We cannot overemphasize the importance of enforcement procedures for such codes. The existence of an ethics code without any provision for enforcement or monitoring mechanism actively policed is worse than not having a code at all. Consistent application of sound ethical practices means that the general quality of the entire activity is enhanced, and, as a result, you do everything once and do it right the first time—in essence, quality economics.

As indicated earlier, guest columnists will share their perspectives on business ethics with you in coming months. We also urge readers to share with us examples of ethical dilemmas and how they were resolved. In recognition of the extreme sensitivity and confidential nature of such information, we anticipate that guidelines governing submission of such cases will be issued in the near future. In the meantime, any questions, comments, or contributions of appropriate case studies can be submitted to the NAA national office under CONFIDENTIAL cover addressed to Executive Director Gary Scopes, Attention: Ad-hoc Ethics Committee, and we will communicate directly with you. ■

Howard L. Siers is chairman of the Ad Hoc Committee on Ethics. He retired in 1986 as general auditor and assistant comptroller of DuPont.

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

DCI - Message on Ethics in Management AccountingFROM: William M. Baker *WB*
Director, Public Affairs

EXTENSION

NO.

PAO 89-0049

DATE

17 Feb 89

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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21 FEB 1989

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21 Feb. 2/24 *WB*

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